Department of Telecommunications and Energy
Second Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question DTE 2-1: Does the term "flowing gas supplies," as that term is defined in Section 1.26 of the proposed Optimization Agreement, expressly exclude the firm Canadian gas supplies included in Exhibit B-1? If not, please clarify how these supplies can be simultaneously priced in accordance with Article 12.1, which sets the price for flowing gas supplies, and Article 12.5, which indicates that the pricing of firm Canadian supplies will be at the price defined in the respective firm Canadian gas supply contracts.

Response: The "flowing gas supplies" referred to in Section 1.26 of the proposed Optimization Agreement does not expressly exclude firm Canadian gas supply. In the event that the Company elects to nominate Canadian gas supply during a given month, BP is notified of that decision and Berkshire is billed directly by the Canadian supplier for the quantity of gas delivered to its citygates. The pricing election referred to in Article 12.1 of the Optimization Agreement is solely for the Company's gulf coast production area gas requirements. As stated on page 58 of the Optimization Agreement, the Company has three options as to how the gulf coast gas it receives will be priced. Please refer to Section 2.7 of the Optimization Agreement regarding gulf coast production area gas requirements.

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Question DTE 2-2: Are the gas volumes that would be purchased under the proposed Gas Sales and Purchase Agreement part of the Flowing Gas Supplies, as this term is defined in the proposed Optimization Agreement? If so, please reconcile how these volumes will be priced on a commodity-only basis (See Optimization Agreement at Article 12), whereas the Gas Sales and Purchase Agreement provides that these volumes are subject to a demand charge (refer to Article 5.1.b. of the Gas Sales and Purchase Agreement). If the Optimization Agreement establishes a demand charge obligation for these gas purchases, please indicate where such provision appears in the Optimization Agreement.

Response: Gas volumes purchased under the Gas Sales and Purchase Agreement are part of the Flowing Gas Supplies. However, only a small portion of these volumes are subject to a demand charge. The pricing of any gas purchased under the Gas Sales and Purchase Agreement is governed by Article V of the Gas Sales and Purchase Agreement. As stated in Section 5.1.b of the Gas Sales and Purchase Agreement, quantities associated with the Company's existing supply contracts as of January 1, 2002 (10,553 dth's) are not subject to this charge. In addition, any quantities assigned to marketers (currently 1,453 dth's) are not subject to this charge. Presently, 2,745 dth's would be subject to a monthly demand charge during the winter period.

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Question DTE 2-3: Refer to the proposed Gas Sales and Purchase Agreement. Considering that (a) natural gas is a freely traded commodity, and (b) given that BP Energy has significant input in the Company's resource portfolio, please discuss the need for a reservation/demand charge.

Response: The minimal demand/reservation charge included in the Gas Sales and Purchase Agreement is a fee paid to BP Energy in exchange for firm gas supply being made available to Berkshire each month during the winter period, should the Company elect to nominate that supply. The estimated cost associated with this demand charge for the upcoming winter period is approximately $6,217. This estimate is based on a maximum daily quantity of 4,198 dth's minus 1,453 dth's (volume currently assigned to marketers) multiplied by 151 days (winter period) multiplied by $.015. Including reservation/demand charges in gas supply agreements is quite common in the natural gas industry and have been part of previous gas supply contracts between Berkshire and various suppliers that have been approved by the Department.